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SUBJECT: CHILE'S ENERGY HIGHLIGHTS MARCH 2009

REF: SANTIAGO 243

1. (SBU) SUMMARY: This cable provides highlights of activity in the Chilean energy sector during March 2009. Energy Minister Tokman discussed potential collaboration on renewable energy with Vice President Biden's delegation. Expert teams from the International Energy Agency (IEA) and the Asia Pacific Economic Cooperation forum (APEC) visited Chile. Chile's water authorities are forecasting sufficient water supplies for both hydroelectric generation and irrigation. An Irish renewable power company will invest \$1 billion to build wind farms in Chile. A U.S. company acquired a concession containing at least 275,000 tons of bituminous coal. Chile's National Energy Commission (CNE) launched an international call for bids to buy the rights to reductions in carbon dioxide. Electricity demand increased by 1.7 percent in March, compared to the same month in 2008. Business Monitor International (BMI), forecasts that Chile will account for 5.52 percent of Latin America regional power generation by 2013. End summary.

Energy Minister Requests MOU for Summit  
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2. (SBU) Energy Minister Marcelo Tokman met with Vice President Biden's delegation on the margins of Chilean President Michelle Bachelet's March 29 bilateral meeting with the Vice President. Tokman proposed signing an MOU during the Summit of the Americas formalizing U.S.-Chile collaboration on a solar pilot plant and/or renewable energy center (reftel) to facilitate technology transfer and funding for the projects. Tokman envisions these pilot projects as models for the region. He argued that energy technology transfers are the best way to convince developing countries to reduce greenhouse gas emissions.

3. (SBU) Tokman also said Chile would welcome the opportunity to enter into agreements with U.S. institutions, particularly the National Renewable Energy Lab and University of California-Berkeley labs, which could be done under the Chile-California Partnership. He noted that if such an agreement is completed before April 24, it could be announced at the upcoming Chile-California solar seminar in San Francisco on that date. Both sides agreed to study ways to advance energy collaboration in advance of the Summit. The Embassy understands the Vice President will be in contact with Secretary Chu to discuss Chile's interest in energy cooperation.

APEC Energy Efficiency Peer Review of Chile  
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4. (U) Chile and New Zealand are the first countries to submit to the APEC energy efficiency peer review process. An international panel of eight experts visited Chile from March 16-20. During the visit, the team interviewed officials responsible for public policy

development and energy efficiency programs, scientists, energy companies, and industry representatives. The results of the study will be presented during the 37th meeting of the APEC Energy Working Group in Santiago, April 2009.

#### IEA Reviews Chile's Energy Sector

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¶15. (U) Under an agreement with CNE, the IEA is conducting an in-depth review of Chile's energy sector and policies. The IEA team of international energy experts was in Santiago March 30-April 1 to meet with a wide array of public officials and private sector representatives. The results of the study, which began in December 2008, will be shared informally with the GOC in June and formally presented by the IEA's executive director in October 2009.

#### Water Forecasts Sufficient for Hydroelectric Power

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¶16. (U) The Chilean Ministry of Public Works General Water Authority (DGA) released a report showing sufficient water for both hydroelectric generation and irrigation. Average water levels at larger reservoirs are 12 percent higher than at this time last year, but below historic levels.

#### Irish Firm Plans \$1 billion Wind Investment

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¶17. (U) Mainstream Renewable Power will invest \$1 billion over the next five years to build wind farms in the country as part of an alliance formed with Chile's Andes Energy. The project is expected to supply power to more than 300,000 homes. The first wind farm will be built near Valparaiso and is expected to be operational by next year.

#### U.S. Company Acquires Coal Concession

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¶18. (U) Nevada-based Southern Energy Company, a publicly traded resource exploration enterprise, agreed to pay the equivalent of US\$8,000,000 for the Lota Bay coal concession. Over the 145 years of coal mining operations in Lota, situated on the Gulf de Arauco, tons of coal were spilled in the bay. Net results of a 2006 drilling test show 275,000 proven tons of recoverable bituminous coal with probable reserves of another 90,000 tons. The company plans to dredge up the coal, process it in an adjacent site, and sell it to nearby thermal electric plants.

#### CNE to Sell Carbon Dioxide Reductions

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¶19. (U) On March 29, CNE, launched an international call for bids to buy the rights to reductions in carbon dioxide. The program is being handled through CNE's Country Program for Energy Efficiency (PPEE) with technical assistance from the Inter-American Development Bank (IDB). This new project capitalizes on PPEE's program to distribute compact fluorescent light bulbs to promote energy savings. Energy Minister Tokman said, "this call is unique in its kind in Latin America and the Caribbean and aims to fund part of the replacement of light bulbs, to quantify the electricity savings from this project, and [provide] accurate knowledge of the reduction of greenhouse gas emissions associated with the replacement program." He added that, "this project will prevent the emission of 258,000 tons of CO2, equivalent to the carbon emissions of 75 thousand Chileans." The deadline for receipt of tenders is May 4.

#### Electricity Demand, Generation Capacity Increasing

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¶110. (U) Press reports indicate that electricity demand increased by 1.7 percent in March, compared to the same month in 2008. This increase, the highest since September 2008, represents the reversal of a five month downward trend in electricity demand.

¶111. (U) The March "Chile Power Report" from Business Monitor International (BMI), forecasts that Chile will account for 5.52 percent of Latin America regional power generation by 2013. BMI forecasts Latin America's power generation will grow to 1,417

terawatt hours (TWh) by 2013, representing an increase of 30.2 percent. According to BMI, in 2007, oil was the dominant fuel used in Chile, accounting for 55.8 percent of primary energy demand (PED), followed by hydroelectric at 18.7 percent, gas at 13.9 percent, and coal at 11.6 percent.

¶12. (U) Chile's GDP per capita and electricity consumption per capita are forecast to increase steadily, by 43 percent and 18 percent respectively, between 2007 and 2013. During the same time period, power consumption is expected to increase from an estimated 57.4TWh to 72.4TWh. From 2007 to 2018, BMI predicts an increase in Chilean electricity generation of 57.7 percent, which is mid-range for the Latin America region.